

Message Text

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22

ACTION AF-06

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 STR-04 /066 W

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R 291025Z JAN 76

FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC 1030

UNCLAS KHARTOUM 0279

E.O. 11652: N/A

TAGS: ERAP, BCOM, SU

SUBJECT: NEW INCENTIVES TO LOCAL GUM ARABIC TRADERS

REF: 75 KHARTOUM A-128

1. THE GUM ARABIC COMPANY (GAC) ANNOUNCED JANUARY 24 FOUR AND ONE HALF PERCENT INCREASE IN PRICE FROM LS 291 (\$728) TO LS305 (\$762) PAYABLE TO LOCAL TRADERS FOR HPS VARIETY GUM DELIVERED AT PORT SUDAN. ACCORDING TO GAC SOURCES, HPS IS ENJOYING INCREASING DEMAND, ESPECIALLY FROM USA CUSTOMERS. HOWEVER, LOCAL GUM TRADERS HAVE BEEN RELUCTANT TO DELIVER THIS VARIETY AT OLD PRICE WHICH YIELDED ONLY \$19 PER MT OVER THE CLEANED VARIETY DESPITE MUCH HIGHER OVERHEAD EXPENSES INVOLVED IN PRODUCTION OF HPS.

2. IN ANOTHER MOVE TO ENCOURAGE TRADERS, GAC ANNOUNCED SIMULTANEOUSLY INCREASE IN ALLOWABLE PERCENTAGE OF GUM SIFTINGS AND DUST IN CLEANED VARIETY FROM 7 TO 9 PERCENT, ON UNDERSTANDING THAT ANY EXCESS OVER 9 PERCENT WILL ENTAIL A 22 PERCENT DECREASE IN PRICE PAYABLE BY GAC PER METRIC TON.

3. NEITHER MEASURE HAS ANY BEARING ON EXPORT PRICE.

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4. COMMENT: BY RAISING BUYING PRICE OF HPS AND
ACCEPTING LOWER PURITY OF CLEANED VARIETIES, GAC AIMS
TO ENCOURAGE MIDDLEMEN TO DELIVER THE PRODUCTS FOR WHICH
MARKET REPORTEDLY IS QUITE STRONG, ESPECIALLY IN EUROPE
AND FAR EAST. U.S. IMPORTERS SHOULD NOT BE CONCERNED OVER
NEW GUM PURITY LEVEL AS THEY TRADITIONALLY BUY HPS
VARIETIES ONLY. SUPPLY POSITION IN 1976 IS ESTIMATED AT
55,000 MT OF WHICH 20,000 MT CARRY OVER AND 35,000 MT
FROM CROP NOW BEING HARVESTED. GAC HAS IN ITS CONTROL
AND AVAILABLE FOR EXPORTS ONLY ABOUT 12,000 MT; OF
BALANCE 35,000 MT IS ESTIMATED TO BE IN HANDS OF
MIDDLEMEN AND 8,000 MT WITH PRODUCERS OR YET TO BE
HARVESTED. BREWER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 29 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KHARTO00279
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760034-0185
From: KHARTOUM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760110/aaaaaijo.tel
Line Count: 74
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 KHARTOUM A-128
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 09 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 JUN 2004 by barnescd>; APPROVED <26 JAN 2005 by RowellE0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEW INCENTIVES TO LOCAL GUM ARABIC TRADERS
TAGS: EPAP, BEXP, SU, GUM ARABIC COMPANY
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006